

State Budget 101:

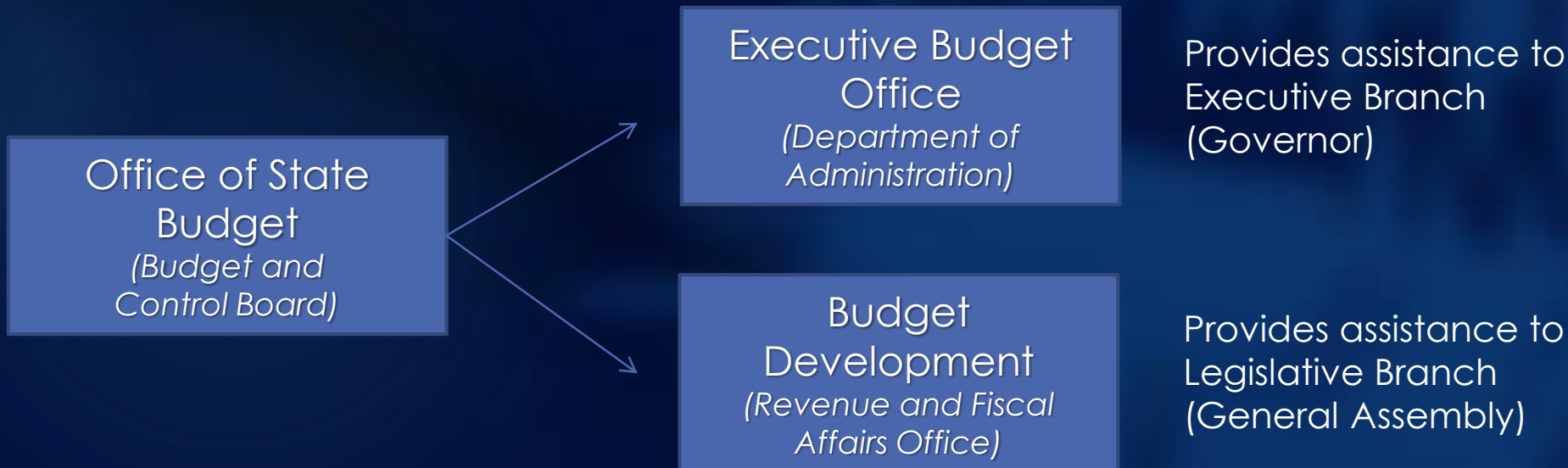
Overview of the Executive Budget Office and State Budget Process

JANUARY 2019

Executive Budget Office Overview

EBO History

- ▶ SC Restructuring Act of 2014
- ▶ Established July 1, 2014
- ▶ Component unit of the Department of Administration



Major Functions

Budget
Development

Budget
Administration

Statewide
Financial
Services

Performance
Measurement &
Planning

Capital Budgeting
& Planning

Organizational Structure



Budget Development

- ▶ Develop guidelines for agency budget requests
- ▶ Collect agency budget requests
- ▶ Collect agency revenue estimates
- ▶ Conduct financial/policy research for Governor
- ▶ Develop Governor's Executive Budget Recommendations
- ▶ Monitor legislative budget process

Budget Administration

- ▶ Perform deficit monitoring on state agencies
- ▶ Review and approve agency budget transactions
- ▶ Distribute Lottery and Education Improvement Act (EIA) funds
- ▶ Distribute Allocations (Pay Plan, Health Plan, Pension)
- ▶ Coordinate responses to Statewide/National Surveys
- ▶ Perform ad hoc reporting and data collection
- ▶ FTE management

Statewide Financial Services

Statewide Cost Allocation Plan (SWCAP)

- ▶ Means for recouping the State's centralized indirect and direct costs associated with administration and support of federal programs.
- ▶ Statewide Support Services Examples:
 - ▶ State Treasurer's Office – banking services
 - ▶ Comptroller General's Office – accounting services
 - ▶ General Services – property leases, repairs, and maintenance
 - ▶ Technology Operations – data center services

Project Notification and Review System

- ▶ State Clearinghouse – review/coordination with state and local governments regarding federal grant awards

Capital Budgeting & Planning

Oversight responsibility for the Statewide Permanent Improvements Program

- ▶ Manages the project approval process
- ▶ Tracks project budgets and expenditures
- ▶ Facilitates the capital planning process through the Comprehensive Permanent Improvement Plan (CPIP)

Assists Approval Bodies and Agencies

- ▶ Joint Bond Review Committee and State Fiscal Accountability Authority
 - ▶ Project Review and Agenda Preparation
- ▶ State Agencies and Institutions
 - ▶ Technical Assistance

Performance Measurement & Planning Annual Accountability Report

► Purpose

- Provides the Governor and General Assembly information for analysis of the budget
- Provides a basis for Agency Head Commission decisions

► Content

- Agency's mission
- Objectives to accomplish the mission
- Performance measures that indicate progress
- Key program area descriptions and expenditures linked to financial and performance results

AGENCY NAME:	Department of Administration	
AGENCY CODE:	D50	SECTION: 93

**Fiscal Year 2015-16
Accountability Report**

SUBMISSION FORM

AGENCY MISSION

The South Carolina Department of Administration will partner with agencies to deliver responsive and cost-effective services to the citizens of South Carolina by leading the efforts to provide innovative, efficient, and standardized support services to state government.

AGENCY VISION

The South Carolina Department of Administration leads as a model of excellence and as a trusted partner in the administration of government services to the citizens of South Carolina.

Please state yes or no if the agency has any major or minor (internal or external) recommendations that would allow the agency to operate more effectively and efficiently.

RESTRUCTURING RECOMMENDATIONS:

The South Carolina Department of Administration (Admin), which serves as the central administrative agency for South Carolina state government, has a mission to provide cost-effective, responsive services and innovative solutions to enable government to meet the needs of the citizens of South Carolina. Its purpose is primarily to support the functions of government.

Alternately, the missions of the programs within the Office of Executive Policy and Programs (OEP) focus on advocacy, direct service and grant management for a wide variety of essential services including assistance to abused and neglected children, children with emotional and behavioral issues, victims of crime, people with disabilities, veterans, small and minority-owned businesses, and those in need of help with home utility expenses.

Based on careful study and review of each OEP program and consideration of input from affected constituencies, Admin is recommending that the components of OEP, based on their missions, would potentially be better served when aligned with agencies with more similar missions and functions. Additionally, it should be noted that, in some cases, conforming statutory changes may be necessary to effectuate the recommended changes in organizational placement.

A-1

Statewide Enterprise Strategic Objectives



Education, Training and Human Development

Improve educational infrastructure to elevate the levels of educational preparedness of every South Carolinian to lead a healthy and productive life, including success in a job or career and in the community.



Healthy and Safe Families

Enhance public well-being by delivering efficient and cost-effective public health and support services.



Maintaining Safety, Integrity and Security

Protect the safety, integrity and security of statewide public resources, infrastructure, data and citizens including timely responses to emergencies, disasters and emerging threats.



Public Infrastructure and Economic Development

Build a world-class and safe public infrastructure to enhance the quality of life of our citizens and to promote the state in global competitiveness as a location for business, investment, talent, innovation and visitors.



Government and Citizens

Deliver a government that serves the needs of South Carolinians and achieves inter-agency collaboration to deliver highly effective, efficient and innovative programs.



THE SOUTH CAROLINA
DEPARTMENT of ADMINISTRATION

State Budget Process Overview

Key Terms, Definitions & Concepts

Incremental Budgeting

- ▶ The current year's budget is the basis (starting point) for building the next year's budget.
- ▶ Historically, decision makers have been primarily concerned with how to spend the additional anticipated revenue over the current year.
- ▶ The majority of the budget changes very little from year to year.

Annualization

- ▶ Funding required in the next year's budget for an item that was either partially funded or funded with non-recurring funds in the current year.
- ▶ Example:
 - ▶ State Health Plan
 - ▶ SHP follows a calendar year (January – December)
 - ▶ Budget follows a fiscal year (July – June)
 - ▶ SHP is funded over 2 budget fiscal years (January – June in year 1 and July to December in year 2)

New Funds

- ▶ Anticipated additional revenue for the next year over and above the current year's estimate plus any excess revenues (Capital Reserve Fund and Supplemental Funds) from the current fiscal year.

Recurring Funds

- ▶ Revenue that can be anticipated year after year.
- ▶ Generally, revenue that is generated from taxes, fees and/or fines.
- ▶ Examples:
 - ▶ State sales tax
 - ▶ State income tax
 - ▶ Student tuition and fees
 - ▶ Traffic fines (i.e., speeding tickets)

Non-recurring Funds

- ▶ Revenue that can only be anticipated for a limited amount of time (usually only one fiscal year)
- ▶ Generally, revenue that is generated from one-time sources.
- ▶ Examples:
 - ▶ Litigation recoveries (class-action lawsuits)
 - ▶ Prior year's surplus
 - ▶ Capital Reserve Fund

Carryforward Funds

- ▶ Unspent funds carried forward from one fiscal year into the next fiscal year
- ▶ 2 types:
 - ▶ **General** – equal to 10% of an agency's original General Fund appropriation.
 - ▶ Example: Agency X is appropriated \$10m; may carryforward up to \$1m
 - ▶ **Special** – special statutory provision that exists for a particular program.
 - ▶ Example: Admin's Division of Information Security program

Lapsed Funds

- ▶ Unspent funds in excess of the amount agencies are allowed to carry forward.
- ▶ Funds are returned to the state's General Fund and may be re-appropriated for other purposes the following fiscal year by the General Assembly.
- ▶ Example:
 - ▶ Agency X is appropriated \$10m but has \$2m unspent at the end of the fiscal year. Agency may carryforward up to \$1m but would lapse the remaining \$1m.

Supplemental Appropriation “Surplus”

- ▶ Funds available because actual revenues collected exceeds the final fiscal year’s projections.

Constitutional and Other Requirements

Balanced Budget Requirement

- ▶ Unlike the Federal Government, the State cannot run a deficit.
- ▶ The budget must remain in balance throughout the fiscal year (beginning, during and at year-end).
- ▶ *“The General Assembly shall provide by law for a budget process to insure that annual expenditures of state government may not exceed annual state revenue.”*
 - Article X, §7(a)

Constitutional Spending Limit

- ▶ The maximum amount of spending of General Funds, Highway Trust Funds and Education Improvement Act Funds as defined by the Constitution.
- ▶ “...a spending limitation on appropriations for the operation of state government which shall provide that increases in such appropriations may not exceed the average growth rate of the economy...”
 - Article X, §7(c)

General Reserve Fund

- ▶ A savings account that may be used to cover a year-end shortfall in General Fund revenue collections.
- ▶ Equal to 5.0% of the previous fiscal year's actual General Fund revenue.
- ▶ GRF is currently fully-funded at **\$379,123,483**.
- ▶ Article III, §36(A)

Capital Reserve Fund

- ▶ A **budgetary** account that must be used to replenish the GRF, should the GRF be used to offset a year-end revenue shortfall.
- ▶ May be appropriated in the following fiscal year if not used to replenish the GRF.
- ▶ Equal to 2% of the previous fiscal year's actual General Fund revenue.
- ▶ CRF is currently budgeted at **\$151,649,393**.
- ▶ Article III, §36(B)

Local Government Fund

- ▶ Equal to 4.5% of the previous fiscal year's actual General Fund revenue
- ▶ 83% goes to counties and 17% goes to municipalities
- ▶ A portion of the funds must be used for alcohol and drug programs.
- ▶ Currently funded at **\$222,619,411 (2.8%)**.

***Full funding = \$365,591,935*

- ▶ S.C. Code of Laws, §6-27-30 and 6-27-40

Tax Relief Trust Fund

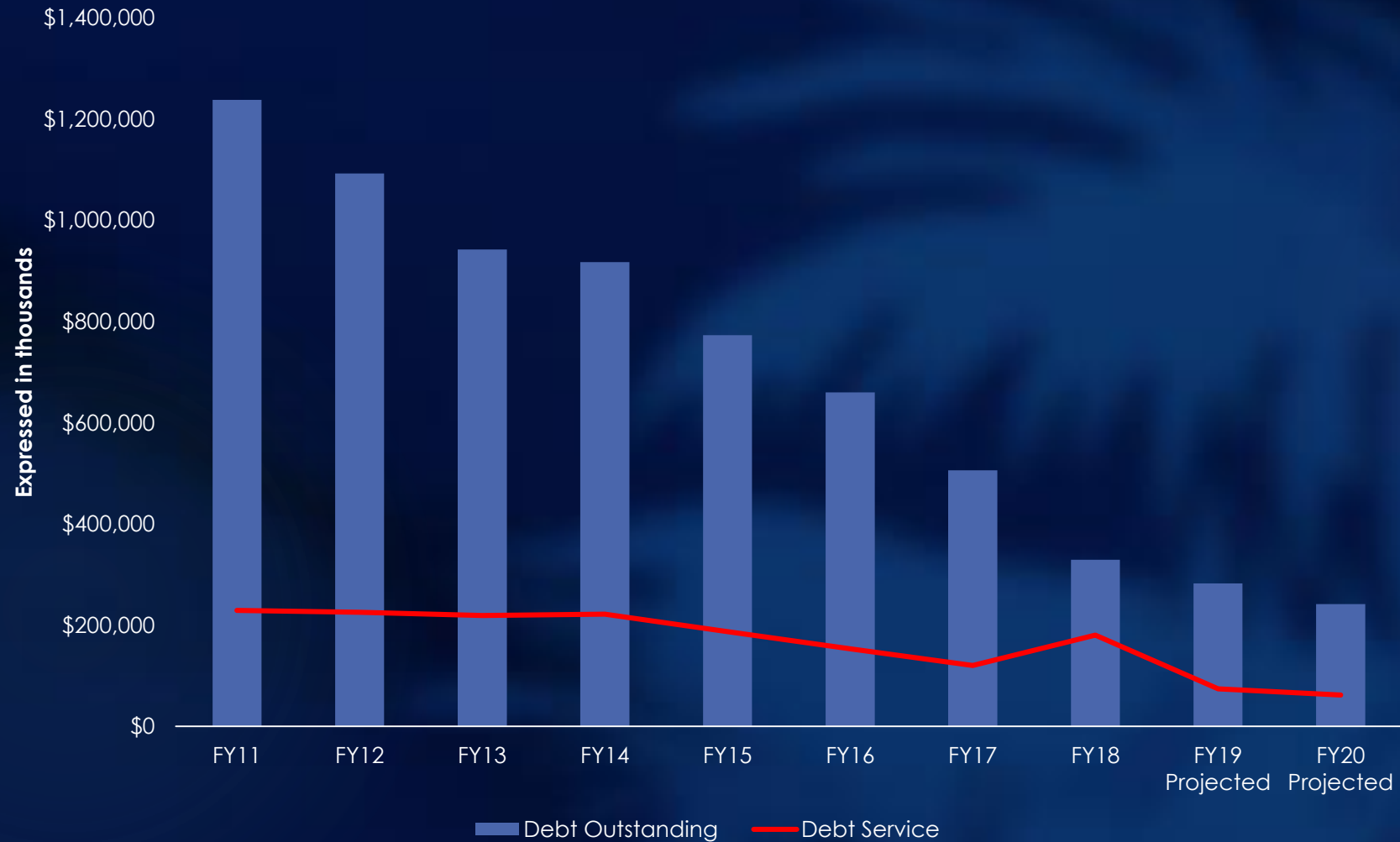
- ▶ Fund set aside to reimburse local governments for the amount they are prohibited from collecting to support school districts due to property tax cap.
- ▶ Comes “off the top” of each year’s General Fund estimate.
- ▶ Currently funded at **\$599,438,000.**
- ▶ S.C. Code of Laws, §11-11-150

Debt Service Limit

- ▶ Limit equal to 5.0% of the previous fiscal year's actual General Fund revenue.
- ▶ The limit is on Debt Service (annual debt payment), not the total debt.
- ▶ Currently funded at **\$191,630,298**
- ▶ Article X, §13(6)(c)

Debt & Debt Service

Debt and Debt Service



State Employee Growth Limit

- ▶ The maximum number of state-funded employees as defined by the Constitution.
- ▶ Limit equal to 1.22% of the state's population.
- ▶ Ratio was established in FY 1980-81

State Population	FTE Limitation	FTE Appropriation	Capacity
5,153,463	63,034.06	35,501.88	27,532.18

- ▶ Article X, §7(d)

The Budget Process

Functional Areas

Agencies are grouped into Functional Areas based on mission/purpose:

- 1) K-12 & Cultural
- 2) Higher Education
- 3) Health & Social Services
- 4) Transportation
- 5) Economic Development & Natural Resources
- 6) Public Safety & Criminal Justice
- 7) Regulatory
- 8) General Government

Functional Areas

K-12 & Cultural

Department of Education
Education Oversight Committee
Wil Lou Gray Opportunity School
School for the Deaf & the Blind
John de la Howe School
Educational Television Commission
Department of Archives & History
State Library
Arts Commission
State Museum
Confederate Relic Room & Military Museum

Higher Education

Lottery Commission
Commission on Higher Education
Higher Education Tuition Grants
17 State Institutions
Technical College System

Health & Social Services

Department of Vocational Rehabilitation
Department of Health & Human Services
Department of Health & Environmental Control
Department of Mental Health
Department of Disabilities & Special Needs
Department of Alcohol & Other Drug Abuse Services
Department of Social Services
Commission for the Blind

Transportation

Department of Motor Vehicles
Department of Transportation
Infrastructure Bank Board
County Transportation Fund
Division of Aeronautics



THE SOUTH CAROLINA
DEPARTMENT of ADMINISTRATION

Functional Areas

Economic Development & Natural Resources

Forestry Commission
Department of Agriculture
Clemson PSA
SC State PSA
Department of Natural Resources
Sea Grant Consortium
Department of Parks, Recreation & Tourism
Department of Commerce
Jobs Economic Development Authority
Patriots Point Development Authority
Conservation Bank
Rural Infrastructure
State Ports Authority

Public Safety & Criminal Justice

Judicial Department (Supreme Court)
Administrative Law Court
Attorney General
Prosecution Coordination Commission
Commission on Indigent Defense
State Law Enforcement Division
Department of Public Safety
Law Enforcement Training Council
Department of Corrections
Department of Probation, Parole & Pardon Services
Department of Juvenile Justice
Adjutant General



THE SOUTH CAROLINA
DEPARTMENT of ADMINISTRATION

Functional Areas

General Government

The Senate
House of Representatives
Legislative Council
Legislative Services Agency
Legislative Audit Council
Governor's Office / Mansion & Grounds
Department of Administration
Inspector General
Lieutenant Governor
Secretary of State
Comptroller General
State Treasurer
Retirement Systems Investment Council
Election Commission
Revenue & Fiscal Affairs Office
State Fiscal Accountability Authority
State Auditor
Public Employee Benefit Authority
Statewide Employee Benefits
Capital Reserve Fund
Debt Service
Aid to Subdivisions

Regulatory

Housing Finance & Development Authority
Human Affairs Commission
Commission on Minority Affairs
Public Service Commission
Office of Regulatory Staff
Worker's Compensation Commission
State Accident Fund
Patients' Compensation Fund
Department of Insurance
Board of Financial Institutions
Department of Consumer Affairs
Department of Labor, Licensing & Regulation
Department of Employment & Workforce
Department of Revenue
State Ethics Commission
Procurement Review Panel



THE SOUTH CAROLINA
DEPARTMENT of ADMINISTRATION

The Participants



Governor



House of Representatives



Senate



Constituents/Citizens & Special Interest Groups



South Carolina
Revenue and Fiscal Affairs Office

Board of Economic Advisors &
Budget Development Section

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THE SOUTH CAROLINA
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Executive Budget Office &
Division of State Human Resources



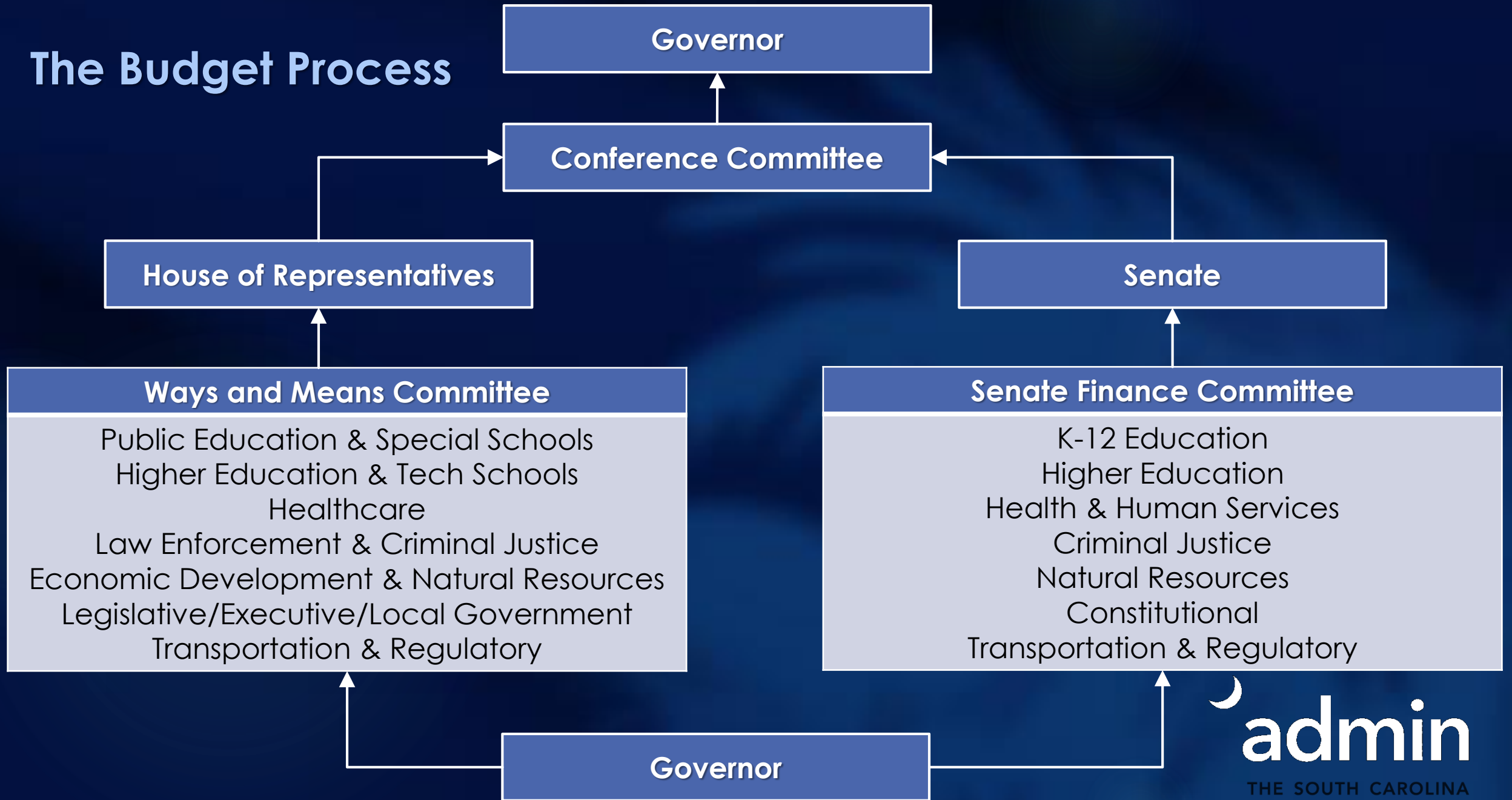
State Agencies &
Higher Education Institutions



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The Budget Process



July	<ul style="list-style-type: none"> Budget instructions and templates developed for the upcoming fiscal year.
August	<ul style="list-style-type: none"> Executive Budget Office (EBO) transmits instructions and templates to state agencies and universities.
September	<ul style="list-style-type: none"> Agencies submit budget requests to EBO, which distributed copies to Governor's Office, plus House and Senate staffers.
October	<ul style="list-style-type: none"> Governor's Office and EBO meet with agencies and universities to discuss their requests.
November	<ul style="list-style-type: none"> Board of Economic Advisors (BEA) releases the revenue estimate upon which the Governor's Executive Budget is based.
December	<ul style="list-style-type: none"> Governor's Office and EBO analyzes budget requests and prepares the Executive Budget.
January	<ul style="list-style-type: none"> Governor releases Executive Budget Recommendations. House Ways and Means Subcommittees begin formal deliberations.
February	<ul style="list-style-type: none"> Full House Ways and Means Committee budget deliberations. Senate Finance Committee Subcommittees begin budget deliberations.
March	<ul style="list-style-type: none"> BEA revises its revenue forecast. House of Representatives debates and passes the budget. Senate Finance Committee budget deliberations.
April	<ul style="list-style-type: none"> Senate debates and passes the budget. Budget Conference Committee deliberations.
May	<ul style="list-style-type: none"> Conference Report delivered to the Governor. Governor acts on budget; General Assembly takes up any vetoes.

Budget Development Timeline

Sources of Funds

General Funds (aka “State” Funds)

▶ Revenue that is generally generated from taxes.

▶ Examples:

- ▶ Retail sales tax
- ▶ Individual income tax
- ▶ Corporate income tax
- ▶ Many others

FY 2018-19 Estimate

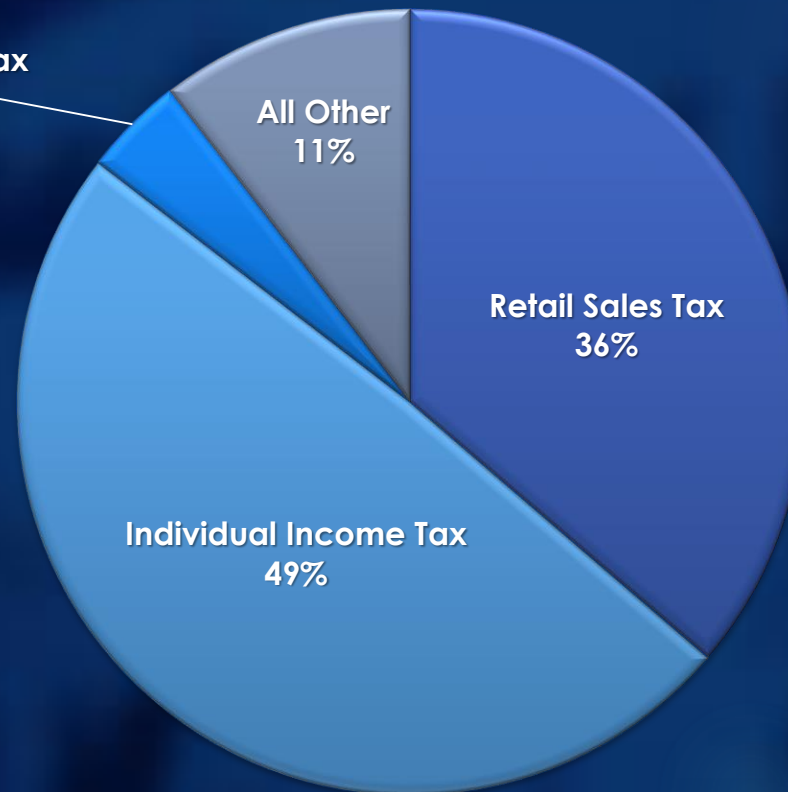
\$8,676,134,824

Corporate Income Tax
4%

All Other
11%

Retail Sales Tax
36%

Individual Income Tax
49%



Other Funds

- ▶ Revenue that is generally generated from fines and fees.
- ▶ 2 Types:
 - ▶ **Earmarked** – Accrued interest goes to the General Fund.
 - ▶ **Restricted** – Accrued interest remains in the fund.
- ▶ Examples:
 - ▶ Tuition and fees revenue
 - ▶ Gas tax revenue
 - ▶ Retirement Trust Fund

FY 2018-19 Authorization

\$7,322,033,298

Top 5 Other Fund Revenue Sources

Source	Amount
1. Higher Education Tuition and Fees	\$3,297,021,047
2. Education Improvement Act (1¢ sales tax)	\$717,001,449
3. Homestead Exemption	\$649,083,693
4. Medicare/Medicaid Reimbursements	\$567,014,848
5. Gasoline Tax	\$454,348,830

Federal Funds

- ▶ Revenue that is generated from grants and disbursements from the Federal Government.
- ▶ Examples:
 - ▶ Medicaid
 - ▶ Food Stamps Program
 - ▶ Federal Highway Grants



FY 2018-19 Authorization

\$8,768,376,935

Top 4 Federal Fund Revenue Sources

Source	Amount
1. Medicaid Program	\$4,524,430,953
2. Food Stamps Program	\$1,199,305,583
3. Federal Highway Grants	\$641,853,798
4. Higher Education Research Grants	\$630,619,373

The Appropriations Act

The Appropriations Act

Each Appropriation Act is applicable for one fiscal year
(July 1 – June 30)

Part	Purpose
IA	Appropriation of funds and FTEs by agency
IB	Temporary laws associated with the budget that directs or controls the expenditure of funds included in Part IA.

The Appropriations Act

There are **105** state agencies in the Appropriations Act

9 Operate Solely on Other Funds

Education Oversight Committee
Retirement Systems Investment Commission
Lottery Commission
Patriot's Point Development Authority
Public Service Commission
State Accident Fund
Patients' Compensation Fund
Board of Financial Institutions
Infrastructure Bank Board

3 Operate Solely on General Funds

House of Representatives
Governor's Office
Inspector General

The Appropriations Act

Smallest budget

- ▶ Procurement Review Panel - \$175,884

Largest budget

- ▶ Department of Health & Human Services - \$7,758,566,031

Fewest FTEs

- ▶ Jobs Economic Development Authority – 1.00

Most FTEs

- ▶ Department of Corrections – 6,108.99

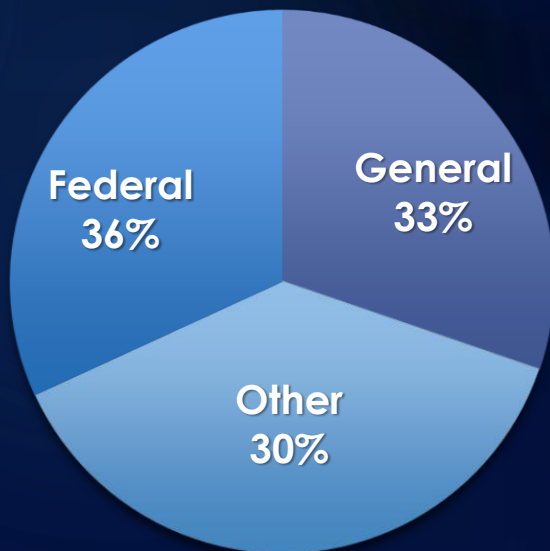
DEPARTMENT OF ADMINISTRATION		
	TOTAL FUNDS	GENERAL FUNDS
I. ADMINISTRATION		
EXECUTIVE DIRECTOR	201,297	201,297
	(1.00)	(1.00)
CLASSIFIED POSITIONS	1,908,335	374,335
	(31.37)	(6.55)
UNCLASSIFIED POSITIONS	864,500	130,000
	(7.00)	(0.90)
OTHER PERSONAL SERVICES	62,306	4,680
OTHER OPERATING EXPENSES	1,118,946	722,446
ETV COVERAGE - LEGISLATIVE & PUBLIC AFFAIRS	838,269	838,269
TECHNOLOGY INVESTMENT COUNCIL	98,784	98,784
TOTAL I. ADMINISTRATION	5,092,437	2,369,811
	(39.37)	(8.45)
II. STATEWIDE PROGRAMS & SERVICES		
A. EXECUTIVE BUDGET OFFICE		
CLASSIFIED POSITIONS	1,054,000	1,054,000
	(16.00)	(16.00)
UNCLASSIFIED POSITIONS	353,000	353,000
	(3.00)	(3.00)
OTHER OPERATING EXPENSES	140,100	140,100
TOTAL A. EXECUTIVE BUDGET OFFICE	1,547,100	1,547,100
	(19.00)	(19.00)
B. HUMAN RESOURCES DIVISION		
CLASSIFIED POSITIONS	1,372,989	1,232,989
	(21.00)	(19.00)
UNCLASSIFIED POSITIONS	68,145	68,145
	(1.00)	(1.00)
OTHER PERSONAL SERVICES	52,738	52,738
OTHER OPERATING EXPENSES	1,321,539	826,573
TOTAL B. HUMAN RESOURCES DIVISION	2,815,411	2,180,445
	(22.00)	(20.00)

The Appropriations Act

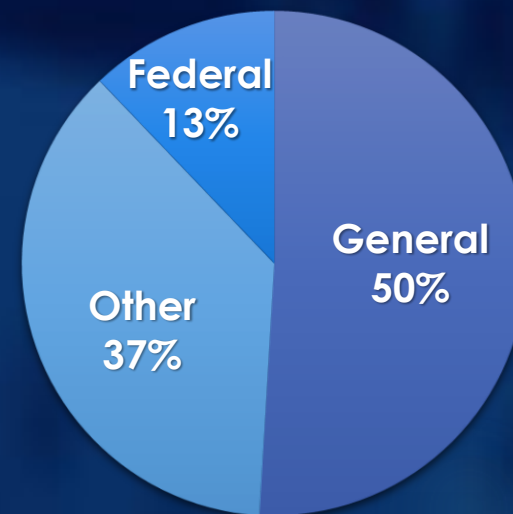
- ▶ Each agency's budget is typically broken into programs:
 - Administration
 - Programs & Services
 - Employee Benefits
- ▶ Each program is typically broken into categories:
 - Agency Head
 - Classified Positions
 - Unclassified Positions
 - Other Personal Services
 - Other Operating Expenses
 - Employee Benefits
- ▶ For each category, there will be a Total Funds and General Funds amount and an FTE amount beneath

FY 2018-19 Appropriations Act

Source (Funds)	Amount
General	\$8,221,032,289
Other	\$7,322,033,298
Federal	\$8,768,376,935
Total	\$24,544,507,493



Source (FTEs)	Amount
General	35,501.88
Other	26,268.23
Federal	8,944.96
Total	70,715.07



FY 2018-19 Appropriations Act

General Funds

Functional Area	Amount
K-12 Education & Cultural	\$3,163,929,454
Health & Social Services	\$2,227,100,831
General Government	\$880,608,784
Public Safety & Criminal Justice	\$874,799,480
Higher Education	\$675,235,952
Economic Development/Natural Resources	\$235,961,629
Transportation	\$89,637,790
Regulatory	\$65,929,436
Total	\$8,213,203,356

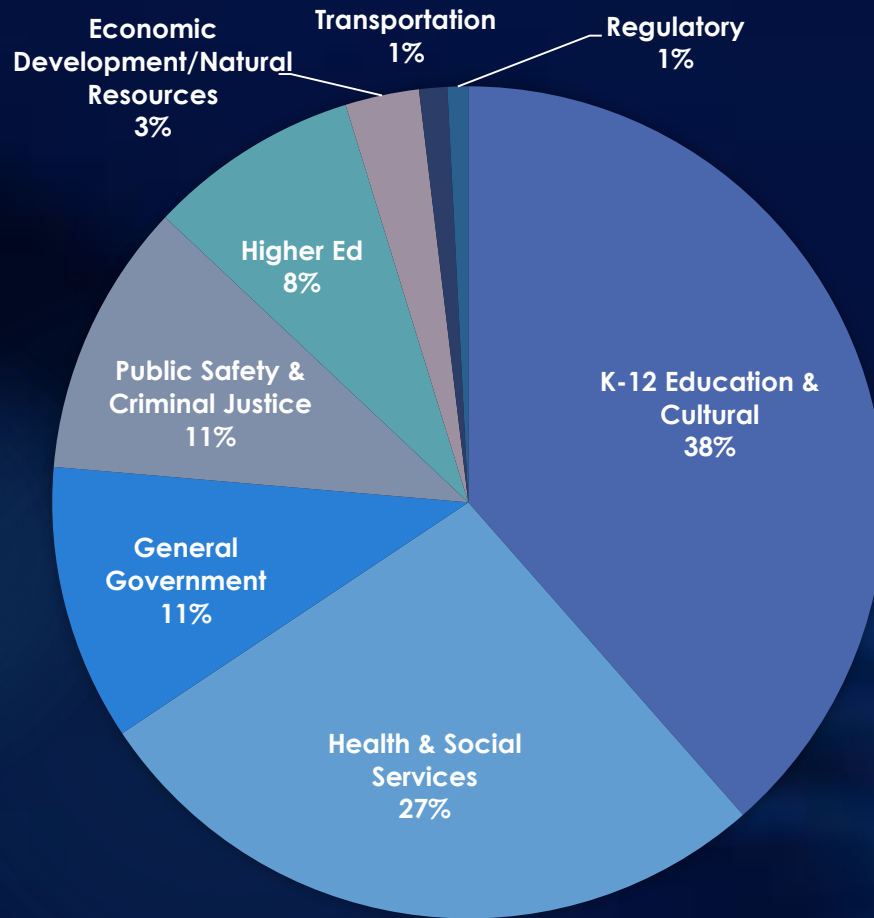
Total Funds

Functional Area	Amount
Health & Social Services	\$10,641,627,140
Higher Education	\$1,488,806,321
K-12 Education & Cultural	\$4,983,709,028
Transportation	\$2,960,958,311
General Government	\$1,831,995,025
Public Safety & Criminal Justice	\$1,284,349,948
Economic Development/Natural Resources	\$654,788,883
Regulatory	\$562,834,743
Total	\$24,889,350,925

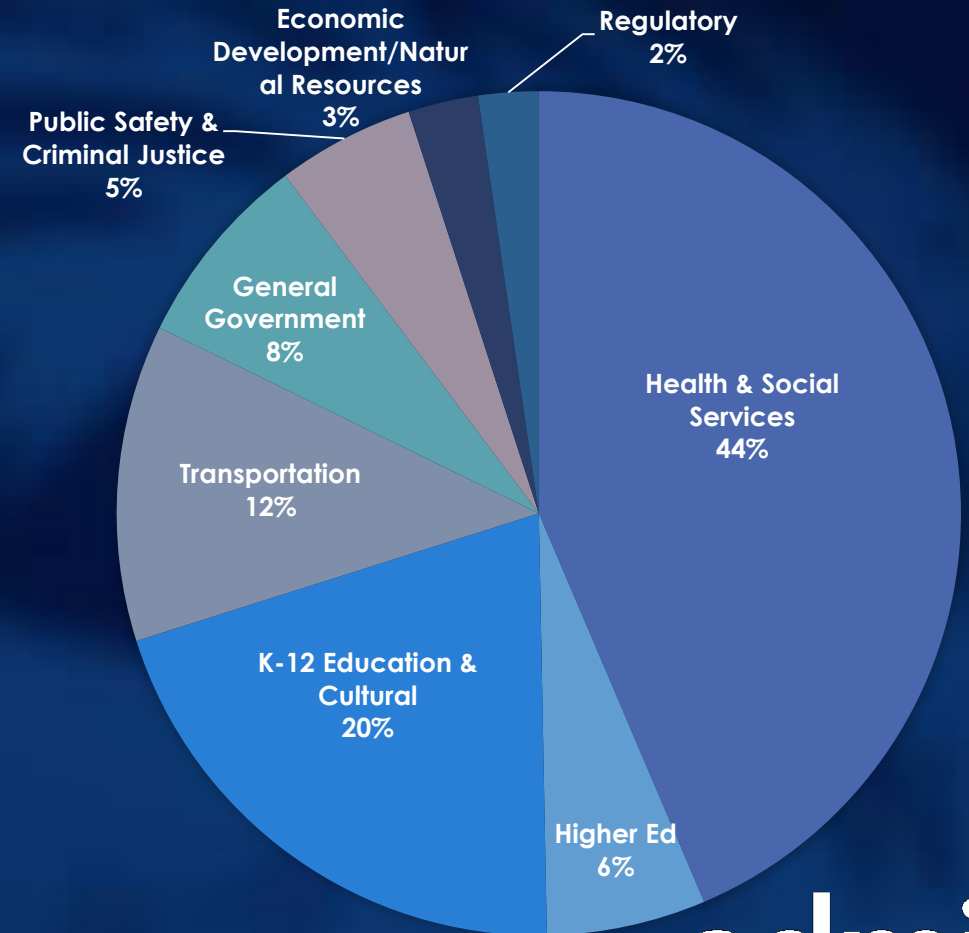
**Recurring funds only*

FY 2018-19 Appropriations Act

General Funds



Total Funds



**Recurring funds only*

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Questions?

Executive Budget Office

www.admin.sc.gov/budget

Governor's Office

www.governor.sc.gov

General Assembly

www.scstatehouse.gov



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